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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/844,972	04/27/2001	Brian L. Whitworth		1665

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06/16/2005
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EXAMINER

DASS, HARISH T

ART UNIT PAPER NUMBER

3628

DATE MAILED: 06/16/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/844,972

Applicant(s)

WHITWORTH, BRIAN L.

Examiner

Harish T. Dass

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 27 April 2001.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-34 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-34 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

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DETAILED ACTION

Specification

1. Applicant is reminded of the proper language and format for an abstract of the disclosure.

The abstract should be in narrative form and generally limited to a single paragraph on a separate sheet within the range of 50 to 150 words. It is important that the abstract not exceed 150 words in length since the space provided for the abstract on the computer tape used by the printer is limited. The form and legal phraseology often used in patent claims, such as "means" and "said," should be avoided. The abstract should describe the disclosure sufficiently to assist readers in deciding whether there is a need for consulting the full patent text for details.

The language should be clear and concise and should not repeat information given in the title. It should avoid using phrases which can be implied, such as, "The disclosure concerns," "The disclosure defined by this invention," "The disclosure describes," etc.

Claim Rejections - 35 USC § 112

2. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 12-13 and 34 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claim 12 refers to itself.

Claim 34, it is not clear what the metes and bonds of the limitation is.

Claim Rejections - 35 USC § 101

3. 35 U.S.C. 101 reads as follows:

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Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-14 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention

incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a §101 rejection finding the claimed invention to be non-statutory. See *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, Claims 1-14 have no connection to the technological arts. None of the steps indicate any connection to a computer or technology. Therefore, the claims are directed towards non-statutory subject matter. To overcome this rejection the Examiner recommends that Applicant amend the claims to better clarify which of the steps are being performed within the technological arts.

Claim Rejections - 35 USC § 102

3. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

Claims 1 and 15 are rejected under 35 U.S.C. 102(b) as being anticipated by disclosed prior art (hereinafter DPA), see specification page 3 lines 12-16).

Re. Claim 1, DPA discloses creating two new securities (Primes and Scores – see spec page 3 line 12) from the original common stock, said securities comprising an equity dividend strip (Prime – see spec page 3 line 14) and a nondividend paying stock (Score – see spec page 3 lines 15-16).

Re. Claim 15, DPA discloses a security which pays the security's owner an amount calculated in consideration of actual dividends paid by one or more companies, said amount not being calculated in consideration of market value of underlying stock of said

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one or more companies (see spec page 2 line 28 to page 3 line 2).

Claims 30-33 are rejected under 35 U.S.C. 102(b) as being anticipated by Brady, Simon "Equity Options", Euromoney. London: Jun 1992. pg 21, 4 pages [ISSN/ISBN 00142433 and Proquest Doc. ID 8949103] (hereinafter Brady).

Re. Claim 30, Brady discloses an exchange traded futures or options contract including terms which are determined in consideration of actual dividend payments on shares of common stock in one or more companies (see number of factors page 1) [see entire document particularly pages 1/8 and 8/8].

Re. Claims 31-33, Brady discloses wherein: said futures or options contract is based on terms determined in consideration of actual dividend payments of a single company's stock (individual stocks) [pages 1-3],

said futures or options contract is based on terms determined in consideration of actual dividend payments of stock of more than one company (stock basket) [pages 1-3].

said futures or options contract is based on terms determined in consideration of actual dividend payments of companies comprising a preexisting index [pages 1-3].

Claim Rejections - 35 USC § 103

3. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 2-11 and 14 are rejected under 35 U.S.C. 103(a) as being unpatentable over disclosed prior art (hereinafter DPA), see specification page 3 lines 12-16).

Re. Claims 2-10, DPA discloses common stock (spec page 1 to page 2 line 10), Index Funds (page 2 lines 12-24), Treasury Strips (spec page 2 line 26 to page 3 line 9) and Primes and Scores (spec page 3 lines 11-20). DPA does not disclose the following well known financial terms which are inherent part of today's financial dealings such as: the common stock is a single class of stock in a single company (securities are usually created by companies and it is up to the user's or owners preference what attributes to it; for example, a single class of stock may be created based on the voting right such as one vote for one share or one individual with many stocks one vote), the common stock is stock from companies comprising a preexisting index (e.g., Consumer Price Index, New Jersey No-Fault Auto Index, Hurricane Index), the common stock is stock from two or more companies (unit of ownership can be to stocks of one or more companies), the common stock is owned indirectly via a mutual fund (mutual funds invests in common stocks), the common stock is owned indirectly via a unit investment trust (e.g. SPDR.TM., which is short for Standard and Poors Depository Receipt), the common

stock is owned indirectly via index shares (e.g. Nasdaq 100 Index, see spec page 2 line 14), the new securities are traded on an exchange (e.g. IPO are traded on exchange market such as NY stock Exchange), the new securities are traded over the counter (e.g. IPO are traded over the counter or Nasdaq), the new securities are privately traded (e.g. institutional investors).

Re. Claims 11 and 14, DPA discloses equity dividend strips in a different account from said nondividend paying stock (principle), and said equity dividend strip is for dividends for a limited term (interest payment) (see spec page 2 line 27 to page 3 line 2), and is obvious that an investor can hold different account either for tax purpose or ease of accounting.

Claims 16-19 are rejected under 35 U.S.C. 103(a) as being unpatentable over DPA in view of Bekaert et al (hereinafter Bekaert US 6,125,355).

Re. Claims 16-19, DPA discloses common stock (spec page 1 to page 2 line 10), Index Funds (page 2 lines 12-24), Treasury Strips (spec page 2 line 26 to page 3 line 9) and Primes and Scores (spec page 3 lines 11-20). DPA does not disclose the amount paid to the security's owner is calculated in consideration of actual dividends of one company, wherein: the amount paid to the security's owner is calculated in consideration of actual dividends of two or more companies, or wherein: the amount paid to the security's owner is calculated in consideration of actual dividends of

companies in a preexisting index or wherein: the amount paid to the security's owner is calculated in consideration of actual dividends of companies in a specified group.

However, Bekaert discloses the amount paid to the security's owner is calculated in consideration of actual dividends of one company (see Bekaert Col. 12 lines 12-20 – price-dividend ratio), wherein: the amount paid to the security's owner is calculated in consideration of actual dividends of two or more companies (see Bekaert Col. 10 line 64 – Nominal pricing Kernel, pricing an asset), or wherein: the amount paid to the security's owner is calculated in consideration of actual dividends of companies in a preexisting index (pricing an asset or preexisting index) [see Bekaert Col. 10 line 64 – Nominal pricing Kernel same for preexisting index] or wherein: the amount paid to the security's owner is calculated in consideration of actual dividends of companies in a specified group (pricing an asset or group of assets) [see Bekaert Col. 10 line 64 – Nominal pricing Kernel same for preexisting index] to provide term structure modeling as well as equity modeling and provide simple pricing both fixed-income securities and equities (col. 1 lines 55-63). It would have been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of DPA and include the above steps, as taught by Bekaert, to provide term structure and equity modeling for pricing equity securities.

Claims 20-29 are rejected under 35 U.S.C. 103(a) as being unpatentable over Slyke et al (hereinafter Slyke -US 2002/0042770 A1).

Re. Claim 20, Slyke discloses a security which allows its owner to separate and transfer the risk [– Abstract; Fig. 8 # 811, Fig. 17 (detachable options which can be cash dividend payment), Fig. 19, Fig. 22 (underwriter created by: insurer, reinsurer, mutual fund manager, sponsor); Paragraphs. 0001-005; 0020; 0168, 0175, 306-307]. Slyke does not explicitly disclose transfer ownership of ordinary cash dividend payments. However it is obvious that when a security is transferred the dividend is transferred too, in order for new owner to derive income from security purchased.

Re. Claims 21-24, Slyke discloses issuing the financial product (detachable securities) [Abstract; Fig. 22 (underwriter created by: insurer, reinsurer, mutual fund manager, sponsor); paragraph 0020]. Slyke does not explicitly disclose wherein: said shares with a detachable dividend strip are issued directly by the company in whom the shares provides ownership.

wherein: said shares with a detachable dividend strip are not issued directly by the company in whom the shares provides ownership.

wherein: said shares with a detachable dividend strip are issued by a mutual fund.

wherein: said shares with a detachable dividend strip are issued by a unit investment trust. However, these steps are business choices based on the convenient and cost effective way to market the securities. For example, if a large company can manage to sell its security, the company will do it, otherwise it will find a cost effective means to sell its security buy way of third party which knows the business. It would have

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been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of Slyke and include provisioning how to issue and trade the detachable securities.

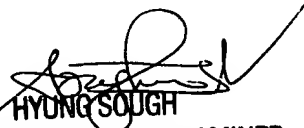
Re. Claim 25, Claim 25 is rejected with same rational as claim 20.

Re. Claims 26-29, Claims 26-29 are rejected with same rational as claims 21-24.

Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Applicant is required under 37 CFR ' 1.111 (c) to consider the references fully when responding to this action.

John Downes et al, 1998 "Dictionary of Finance and Investment Terms", Fifth Edition; discloses the financial terms and there functions.


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